

Exhibit 6G

Excerpts of July 31, 2014 M. Kopacz Deposition Transcript

9 LISA SCHAPIRA, ESQ.
10 Chadbourne & Parke, LLP
11 30 Rockefeller Plaza
12 New York, New York 10112
13 Appearing on behalf of Assured Guaranty
14 Municipal Corporation
15
16 SHANNON L. DEEBY, ESQ.
17 Clark Hill, PLC
18 151 South Old Woodward Avenue
19 Suite 200
20 Birmingham, Michigan 48009
21 Appearing on behalf of the Retirement Systems
22 for the City of Detroit

1 - MARTI KOPACZ - VOLUME 1-
2 JENNIFER K. GREEN, ESQ. (Via Telephone)
3 Clark Hill, PLC
4 500 Woodward Avenue, Suite 3500
5 Detroit, Michigan 48226
6 Appearing on behalf of the Retirement Systems
7 for The City of Detroit
8
9 SAM J. ALBERTS, ESQ.
0 Dentons US, LLP
1 1301 K Street, N.W.
2 Suite 600, East Tower
3 Washington, D.C. 20005
4 Appearing on behalf of the Retiree Committee
5
6
7 ALLAN S. BRILLIANT, ESQ.
8 Dechert
9 1095 Avenue of the Americas
0 New York, New York 10036
1 Appearing on behalf of Macomb County

1 - MARTI KOPACZ - VOLUME 1-
2 analysis or projections, what-ifs, that sort of
3 thing, whereas a forecast is something that's a
4 little more rigorous, a best -- the best guess, if
5 you will.

6 Q. So would it be fair to say, and I'm
7 not going to spend a lot of time on this, this
8 morning, that the base case scenario from EY is a
9 forecast, but the restructuring analysis is a
10 projection?

11 A. I don't know that I would say that.

12 Q. Okay. And I'll use the terms
13 interchangeably myself.

14 A. Thank you.

15 Q. You raise the -- use the phrase
16 "mathematically accurate."

17 I assume that means whether the
18 calculations that were done produced the results
19 that mathematics requires?

20 A. Yes.

21 Q. In other words, no errors in
22 calculation?

23 A. Correct.

24 Q. Okay. You used the phrase
25 "reasonableness" when you speak about assumptions.

1 - MARTI KOPACZ - VOLUME 1-
2 What do you mean when you use the
3 phrase "reasonableness"?

4 A. That the assumption is neither too
5 conservative or too aggressive.

6 Q. Okay. Is reasonableness a synonym in
7 this context for reliable?

8 A. No.

9 Q. Okay. In other words, that a
10 reasonable assumption is one that is in the middle
11 of the continuum of possible assumed facts?

12 A. I think I can agree with that, yes.

13 Q. Okay. Did you try to place it a
14 particular place on the continuum?

15 A. No.

16 Q. You also listed qualitative factors
17 as well, and I'll come back to those.

18 A. Yes.

19 Q. And they're part of your feasibility
20 analysis too?

21 A. They are.

22 Q. Sometimes you've used the term
23 "material" in your report?

24 A. Yes.

25 Q. What does the term "material" mean as

1 - MARTI KOPACZ - VOLUME 1-
2 you've used it here?

3 A. Material is a term that indicates
4 whatever the value or the variable is could have
5 an impact, positive or negative. It is not --
6 it's not de minimis.

7 Q. Okay. Do you associate any
8 percentage level with the term "material"?

9 A. I do not.

10 Q. Have you heard, for example in the
11 accounting world, they sometimes speak of
12 materiality as being 1 percent of assets or
13 5 percent of income?

14 A. I think it depends on the context.

15 Q. But it's not how you've used it, one
16 way or another?

17 A. Not how I've used it, no.

18 Q. Now, I'm going to ask you about
19 forecasting now.

20 A. Sure.

21 Q. Let me go back to Exhibit 1 of your
22 report. This is your -- for want of -- I'll call
23 it your CV although --

24 A. It's not really.

25 Q. -- it's not really a CV. What would

1 - MARTI KOPACZ - VOLUME 1-
2 you call it? Just a back -- description of your
3 background?

4 A. Yes.

5 Q. Okay. Why don't we just call it
6 Exhibit 1?

7 A. Exhibit 1 is good.

8 Q. Under "General Experience," you've
9 written about your -- about your experience with
10 financial projections and I'm going to read parts
11 of this, and I'm going to ask you questions about
12 it.

13 First sentence you've written -- by
14 the way, did you write this part of your report or
15 was it written for you by others?

16 A. No. This is the -- this is the same
17 document that was attached to my proposal. It's
18 just in a different format, but the --

19 Q. Sure.

20 A. -- the -- the information is
21 generally the same and I think there's some
22 added -- there may be some added verbiage around
23 speaking engagements, publications and the like.

24 Q. Sure. Is it accurate however?

25 A. Yes, it is.

1 - MARTI KOPACZ - VOLUME 1-
2 would it be possible for you to tell me when it
3 does make senses and when it does not make senses?

4 A. I can give you an example.

5 Q. Sure.

6 A. If you had an ongoing operation, and
7 you were selling widgets to someone, right, and
8 that customer bought, you know, a hundred dollars
9 worth of widgets every year for the past ten
10 years, unless something suggested a contrary
11 behavior, you would probably project that they're
12 going to buy a hundred dollars worth of widgets.
13 Okay?

14 On the expense side, if you're
15 manufacturing those widgets in a production plant
16 and it costs you 80 cents to make a widget, right,
17 but then you're building a new plant and all of a
18 sudden your costs are going to go down to 65, you
19 wouldn't be using the continuation of the
20 historical cost to make a going-forward
21 projection.

22 Q. Now, is it sometimes the case as you
23 extrapolate forward, instead of having a constant
24 value, you're dealing with a value that is
25 expected to increase in some manner or decrease in

1 - MARTI KOPACZ - VOLUME 1-
2 some manner year to year to year; in other words,
3 either in the linear or nonlinear function?

4 A. Yes, it is.

5 Q. Okay. And what do you do when you're
6 faced with that type of a forecast?

7 A. You have to look at the basis for why
8 the change is going to occur and evaluate it with
9 the information you have as to, you know, does
10 that new assumption make sense.

11 Q. Now, when you dealt with looking at
12 the forecasts for the City of Detroit, did you
13 find that those extrapolations required
14 forecasting that was not a constant value for
15 either revenue or expense year to year in the
16 years that were coming?

17 A. In some cases, yes.

18 Q. So how did you determine what the
19 appropriate coefficient was year to year to
20 increase or decrease the projected amount?

21 A. The -- the example that I can give
22 you is the baseline is -- for example, the
23 baseline projections include ongoing pension
24 expense.

25 Q. Okay.

1 - MARTI KOPACZ - VOLUME 1-

2 A. Ongoing interest expense. Obviously,
3 as the City worked through its bankruptcy and its
4 plan, it became clear that those weren't going to
5 get paid, so those numbers changed in line with
6 what the settlements were. So I didn't really
7 have to make -- it was a number that was in the
8 ten-year that didn't need to be there, so it just
9 came out.

10 Q. So that came out.

11 Let me take the example though of a
12 revenue item. I don't -- we'll just make it
13 income tax.

14 As you looked at the forecasts of
15 income tax revenue in the years to come, it was
16 not a constant number, correct?

17 A. Correct.

18 Q. And it went up or down as the years
19 went on, correct?

20 A. Yes.

21 Q. And it went up or down for various
22 reasons, such as incomes and other factors such as
23 that, correct?

24 A. Yes.

25 Q. How did you determine whether a

1 - MARTI KOPACZ - VOLUME 1-

2 forecast of income in future years -- income tax
3 revenues in future years was or was not a
4 reasonable forecast?

5 A. I looked at historical information.
6 I looked at the outside -- the statewide
7 information from various parties, and I and my
8 team interviewed the team at Ernst & Young who did
9 the analysis and the development of these
10 projections.

11 Q. Fair to say you didn't simply accept
12 the credibility of the Ernst & Young assumptions?

13 A. I did not.

14 Q. Or the Ernst & Young calculations?

15 A. I did not.

16 Q. You did your own checking of them?

17 A. I did.

18 Q. And then used your own knowledge base
19 to reach a conclusion about the quality of Ernst &
20 Young's work?

21 A. I -- I didn't reach a conclusion
22 about the quality of Ernst & Young's work. I
23 reached a conclusion on the reasonableness of
24 those assumptions.

25 Q. Okay. And -- and by the way, the

<p style="text-align: right;">Page 49</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 process you just described for me, we used the</p> <p>3 example of income tax.</p> <p>4 A. Yes.</p> <p>5 Q. Would it -- would you give the same</p> <p>6 answer if I asked about other types of taxes of</p> <p>7 revenue items in terms of your general approach?</p> <p>8 A. Yes.</p> <p>9 Q. And in terms of various items of</p> <p>10 expense in terms of your general approach?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. Now, let me, if I could, just</p> <p>13 ask you about some of the opinions that you</p> <p>14 reached.</p> <p>15 A. Uh-huh.</p> <p>16 Q. And on Page 200 of your report you</p> <p>17 speak of some of the qualitative issues.</p> <p>18 A. Yes. I have quantitative issues on</p> <p>19 200.</p> <p>20 Q. I'm sorry. Quantitative, sorry.</p> <p>21 Advancing age and failing eyesight has -- has</p> <p>22 undermined me. Yeah, on quantitative issues.</p> <p>23 A. Yes.</p> <p>24 Q. The first paragraph you write, "It is</p> <p>25 my opinion that except for otherwise noted in my</p>	<p style="text-align: right;">Page 51</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 phrase "mathematically correct."</p> <p>3 A. Uh-huh.</p> <p>4 Q. What do you mean when you say</p> <p>5 "materially reasonable"?</p> <p>6 A. I believe the projections taken as a</p> <p>7 whole are reasonable.</p> <p>8 Q. And then the next paragraph says, "It</p> <p>9 is my opinion that, except where otherwise noted</p> <p>10 in my report, the individual assumptions used to</p> <p>11 build the projections fall into a reasonable range</p> <p>12 and that, when taken as a group, these assumptions</p> <p>13 are also reasonable."</p> <p>14 Can you tell me why you were able to</p> <p>15 reach that conclusion?</p> <p>16 A. Because we reviewed and looked at</p> <p>17 every line item, every cell of every model.</p> <p>18 Q. And how big was this model?</p> <p>19 A. The -- the E&Y model is, my</p> <p>20 recollection, I think about a -- over a hundred</p> <p>21 sheets -- over a hundred Excel spreadsheets.</p> <p>22 Q. Okay.</p> <p>23 A. The Conway model is actually about</p> <p>24 30 models together and each of those models is</p> <p>25 multiple Excel spreadsheets. Clearly, Kevin Barr</p>
<p style="text-align: right;">Page 50</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 report the projections are generally</p> <p>3 mathematically correct and materially reasonably</p> <p>4 and, therefore, fall within the feasibility</p> <p>5 standard I have defined."</p> <p>6 Do you see the language I read?</p> <p>7 A. Yes.</p> <p>8 Q. I notice there's a typo. Did you</p> <p>9 mean to write "materially reasonable" instead of</p> <p>10 "materially reasonably"?</p> <p>11 A. Yes. Thank you.</p> <p>12 Q. It's all right. It's basically what</p> <p>13 lawyers are trained to do is look for typos. I</p> <p>14 went to law school imagining myself in front of</p> <p>15 the U.S. Supreme Court; instead I've become a</p> <p>16 glorified proofreader.</p> <p>17 All right. Now, when you say the</p> <p>18 generally mathematically -- the projections you're</p> <p>19 speaking about are the City's 10 and 40-year</p> <p>20 projections?</p> <p>21 A. That's correct.</p> <p>22 Q. And we already -- go ahead. I'm</p> <p>23 sorry.</p> <p>24 A. And the -- and the RRI projections.</p> <p>25 Q. And I've already asked you about the</p>	<p style="text-align: right;">Page 52</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 on my team probably knows exactly how many pages</p> <p>3 there are, but it's hundreds.</p> <p>4 Q. And you looked at every one of those</p> <p>5 worksheets --</p> <p>6 A. He did -- he did. I didn't.</p> <p>7 Q. And every -- every cell of every</p> <p>8 worksheet?</p> <p>9 A. He did.</p> <p>10 Q. On Page 37 of your report, you refer</p> <p>11 to -- you state at the bottom, there's a carryover</p> <p>12 sentence having to do with the fact that the City</p> <p>13 does not have an aggregated forecast to use.</p> <p>14 Can you tell me what you meant by an</p> <p>15 "aggregated forecast"?</p> <p>16 A. Can you show me the sentence?</p> <p>17 Q. It's the carryover. It says, "while</p> <p>18 the respective -- "</p> <p>19 A. Ten-year 40-year.</p> <p>20 Q. Yes. And then it carries over and</p> <p>21 the language I was referring to is the top of the</p> <p>22 next page.</p> <p>23 It says, "The City does not have an</p> <p>24 aggregated forecast to use as a fiscal road map</p> <p>25 going forward."</p>

13 (Pages 49 to 52)

<p style="text-align: right;">Page 53</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 What do you mean by "an aggregated"?</p> <p>3 A. The City does not have a forecast at</p> <p>4 the department level which includes all of the</p> <p>5 baseline projections and the RRI's incorporated</p> <p>6 into a single set of projections like you would</p> <p>7 typically see for an entity.</p> <p>8 Q. Okay. And so the City needs to</p> <p>9 create such a document in order to go forward?</p> <p>10 A. I think it would be highly advisable.</p> <p>11 Q. The beginning of the sentence says,</p> <p>12 pardon me, "While the respective 10-year, 40-year</p> <p>13 and RRI forecasts have been expertly researched,</p> <p>14 constructed and amended."</p> <p>15 What do you mean when you say</p> <p>16 "expertly researched, constructed"?</p> <p>17 A. The, the 10-year, the 40-year and the</p> <p>18 RRI's, okay, are appropriately correct to the</p> <p>19 extent of the purpose for which they were</p> <p>20 intended. Okay? They are fit for that purpose.</p> <p>21 Q. Uh-huh. Okay. Now, excuse me -- you</p> <p>22 mentioned that the City forecast cover a period of</p> <p>23 ten years and there's also a 40-year forecast too.</p> <p>24 A. Yes.</p> <p>25 Q. Is that the customary period for</p>	<p style="text-align: right;">Page 55</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 your attention to the last two sentences on that</p> <p>3 page. You wrote, "As the time horizon expands, so</p> <p>4 too does the magnitude required for an issue to</p> <p>5 impact feasibility. For example, a potential</p> <p>6 \$50 million shortfall in Year 1 will have a much</p> <p>7 more significant impact on the assessment of</p> <p>8 feasibility than the same shortfall in Year 20."</p> <p>9 Now, can you tell me what you meant</p> <p>10 when you wrote that?</p> <p>11 A. I mean, I don't know how to say it</p> <p>12 any better. I'm sorry. I really don't. I think</p> <p>13 that's really clear.</p> <p>14 Q. Okay.</p> <p>15 A. Okay? I -- obviously -- the time</p> <p>16 horizon to my -- to the way we've defined the</p> <p>17 standard and the way I evaluated it is if there's</p> <p>18 going to be an impact near-term, that is clearly</p> <p>19 more significant than if it's going to occur 10 or</p> <p>20 20 years down the road because 10 or 20 years down</p> <p>21 the road, people have an opportunity to respond</p> <p>22 and change their behavior and do different things</p> <p>23 to overcome whatever that risk might be. If it's</p> <p>24 a risk in the early part of a forecast, you don't</p> <p>25 have that time to respond.</p>
<p style="text-align: right;">Page 54</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 forecast, at least in the municipal world?</p> <p>3 A. I'm not sure there is a customary</p> <p>4 period.</p> <p>5 Q. Have you seen forecasts before of</p> <p>6 such length?</p> <p>7 A. Have I in a general context, yes. In</p> <p>8 typically municipalities don't budget for that</p> <p>9 long a time.</p> <p>10 Q. Do you know why it is that forecasts</p> <p>11 were prepared for periods so long as those we see</p> <p>12 here?</p> <p>13 A. I don't know why those projections --</p> <p>14 those periods were chosen, no.</p> <p>15 Q. What's the relationship, if there is</p> <p>16 one at all, between the length of a forecast and</p> <p>17 its reliability?</p> <p>18 A. Generally, the longer a forecast --</p> <p>19 the longer period of time a forecast covers, the</p> <p>20 more variability you would expect as time goes on.</p> <p>21 Q. Would there also -- let me ask you to</p> <p>22 look actually at Page 17 of your report. At the</p> <p>23 very bottom of that page --</p> <p>24 A. Uh-huh.</p> <p>25 Q. -- you've written -- I'm directing</p>	<p style="text-align: right;">Page 56</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So you testified that one feature of</p> <p>3 a long forecast is the greater chance for</p> <p>4 variability as the years go on, correct?</p> <p>5 A. I would agree with that statement,</p> <p>6 yes.</p> <p>7 Q. Are you also saying that in the</p> <p>8 future years that, although there may be such</p> <p>9 variation, it becomes less material as we sit here</p> <p>10 today because the variations happen so far into</p> <p>11 the future?</p> <p>12 A. The material word, I don't agree with</p> <p>13 that in the sense that if it is a large risk</p> <p>14 component in the out years, that could affect my</p> <p>15 assessment of feasibility even though it was far</p> <p>16 out into the future. The other part, and I don't</p> <p>17 mean to quibble, but the near-term forecasts are</p> <p>18 going to be wrong too. It's just will there be</p> <p>19 enough variation in the forecast both plus and</p> <p>20 minus that on average things will be okay.</p> <p>21 Q. Okay. And there are such things</p> <p>22 as -- as offsetting entries or offsetting</p> <p>23 variations, correct?</p> <p>24 A. Correct. Yes.</p> <p>25 Q. Is there any mathematical or</p>

14 (Pages 53 to 56)

1 - MARTI KOPACZ - VOLUME 1-

2 A. Generally, a sensitivity analysis is
3 done around a single variable.

4 Q. Okay.

5 A. Right?

6 Q. And all of the sensitivity
7 analyses -- analyses you have done have been done
8 around a single variable, right?

9 A. Yes.

10 Q. And when it predicts a -- the effects
11 of a 1 percent change, it would be that absolute
12 number whether the 1 percent is up or whether the
13 1 percent is down, correct?

14 A. Yes. Yes.

15 MR. STEWART: That is all I have.

16 MR. HACKNEY: This might be a good
17 time for a break. I'm going to move all my
18 stuff over there.

19 MR. STEWART: Sure.

20 THE VIDEOGRAPHER: Okay. The time
21 now is 11:04 a.m. We're going off the
22 record.

23 (Whereupon, there was a brief recess
24 in the proceedings.)

25 THE VIDEOGRAPHER: Time now is

1 - MARTI KOPACZ - VOLUME 1-

2 without RRI's. I mean the forecast with RRI's. I
3 mean the 40-year forecast. So when I refer to the
4 forecasts at large, I'll call them the EY
5 forecasts. Does that work for you?

6 A. And that includes the Conway
7 position?

8 Q. It does.

9 A. Okay.

10 Q. Because you have to -- to have a name
11 for them and ultimately EY assembled them.

12 A. Right.

13 Q. And so -- I mean, I can call them
14 whatever you want, put it another way --

15 A. Okay.

16 Q. -- but if there's a time where you
17 want to say well, Steve, I need to talk about this
18 instead of this, let me know. Okay?

19 And, as a general rule, if I ask you
20 a question that doesn't make sense, as I am wont
21 to do, will you please let me know so that I can
22 rephrase it?

23 A. Yes.

24 Q. If you -- do you understand that if
25 you answer my question, I'm going to assume that

1 - MARTI KOPACZ - VOLUME 1-

2 11:12 a.m., and we're back on the record.

3 EXAMINATION BY MR. HACKNEY:

4 Q. Ms. Kopacz, we've met before but --

5 A. We have.

6 Q. -- I'll introduce myself again. My
7 name is Steve Hackney and I represent Syncora in
8 the City of Detroit bankruptcy case. It's ice to
9 see you again.

10 A. Nice to see you again.

11 Q. Let me ask you some open-ended
12 questions at the start here.

13 I first want to confirm that you're
14 not intending to offer opinions other than the
15 ones that are contained in your report, correct?

16 A. That is my intention, yes.

17 Q. Okay. And you have disclosed the
18 bases for your opinions as well as the facts and
19 data that you considered in your report, correct?

20 A. Yes.

21 Q. What are the limitations of the EY
22 forecasts in your view? And I'm going to get some
23 terminology down here, which is to say when I
24 refer to the EY forecast at large, I mean all of
25 them. So I mean the -- the baseline forecast

1 - MARTI KOPACZ - VOLUME 1-

2 you understood my question?

3 A. Yes.

4 Q. So going back to it, what are the
5 limitations of the EY forecasts that are included
6 in the plan in your view?

7 A. The limitations? I'm struggling with
8 the word "limitations."

9 Q. Okay.

10 A. As I said in an answer to
11 Mr. Stewart's question, the projections in the
12 City's plan are -- were created for specific
13 purpose and they are not what we would typically
14 expect to see as a set of projections for a plan
15 of reorganization in a Chapter 11 case. So,
16 they're just -- they're -- it takes more effort to
17 understand what they are and what they aren't.

18 Q. Going back to that, I wanted to make
19 clear that you are specifically disclaiming any
20 opinions on whether the -- whether the plan is in
21 the best interests of creditors, correct?

22 A. That was not in my scope.

23 Q. And you don't have any opinions on
24 that?

25 A. I do not have an opinion.

<p style="text-align: right;">Page 101</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And you did not attempt to -- to</p> <p>3 determine whether the -- the City might do better</p> <p>4 than the -- the forecasts such that there would be</p> <p>5 more to distribute to creditors, correct?</p> <p>6 A. Yes. And I -- I think at some point</p> <p>7 in my report I said there are -- there are things</p> <p>8 that I didn't -- that I very clearly didn't do,</p> <p>9 and I didn't -- I didn't look at best interest of</p> <p>10 creditors. It was outside of my scope, and I</p> <p>11 didn't look to see if there was a way in which the</p> <p>12 City could generate more cash, and I didn't look</p> <p>13 at any of the alternative plans.</p> <p>14 Q. And just to be clear, to the extent</p> <p>15 the City is purporting to use the projections to</p> <p>16 satisfy the best interests of creditors test, you</p> <p>17 do not have an opinion that the projections are</p> <p>18 appropriate for that purpose, correct?</p> <p>19 A. I don't have any opinion around best</p> <p>20 interest at any level.</p> <p>21 Q. Okay. But I have to tie it to the</p> <p>22 forecasts as well, correct? You're not saying</p> <p>23 these forecasts satisfy the City's burden in</p> <p>24 connection with the best interests of creditors?</p> <p>25 A. I -- no. I don't have any -- I don't</p>	<p style="text-align: right;">Page 103</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 stuff, right? And at that point in time, when</p> <p>3 KPMG signs off and it files its CAFR, then --</p> <p>4 CAFR, C-A-F-R, comprehensive annual financial</p> <p>5 report, those are numbers that have been vetted,</p> <p>6 if you will.</p> <p>7 Q. The negative implication of your</p> <p>8 question is that in between CAFRs, the City does</p> <p>9 not have reliable financial records, correct?</p> <p>10 A. They have ad hoc records.</p> <p>11 Q. They are definitely ad hoc.</p> <p>12 A. Yes.</p> <p>13 Q. Are they reliable?</p> <p>14 A. Some may be and some may not be.</p> <p>15 Q. Okay. You did not have sufficient</p> <p>16 time to audit the records of the City, correct?</p> <p>17 A. No, and it wasn't in my scope.</p> <p>18 Q. Okay. So you have not made a</p> <p>19 determination as to whether the financial</p> <p>20 information upon which the projections are built,</p> <p>21 to the extent that they're not derived from a</p> <p>22 CAFR, are based on reliable financial records,</p> <p>23 correct? You haven't made that determination.</p> <p>24 A. Can you repeat the question, please?</p> <p>25 MR. KANE: I was distracting her with</p>
<p style="text-align: right;">Page 102</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 have anything to say about that.</p> <p>3 Q. Okay. I guess -- let me go back to</p> <p>4 the subject of limitations and give you an example</p> <p>5 to help inform my question a little bit.</p> <p>6 So you're aware that the City has</p> <p>7 what I'll describe as troubled data systems with</p> <p>8 respect to the collection of financial records?</p> <p>9 A. Yes.</p> <p>10 Q. You're also aware that the forecast</p> <p>11 is, in some respects, based on historical</p> <p>12 financial records?</p> <p>13 A. Yes.</p> <p>14 Q. So, an example of a limitation would</p> <p>15 be that if the City has historical financial</p> <p>16 records that are of questionable validity, that</p> <p>17 that could be a limitation on the accuracy of the</p> <p>18 forecast. So I'm using this as an example of</p> <p>19 something that could be a limitation. I'm not</p> <p>20 saying that it is or it isn't, but I'm trying to</p> <p>21 inform my question to you more to help put some</p> <p>22 meat on the bones so to speak.</p> <p>23 A. The City has accurate financial</p> <p>24 information once a year when it completes its --</p> <p>25 its annual audit and gets its annual financial</p>	<p style="text-align: right;">Page 104</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the microphone.</p> <p>3 MR. HACKNEY: That's okay. It's a</p> <p>4 long one, but I think it was the best way to</p> <p>5 ask it, so it may be better to have it read</p> <p>6 back.</p> <p>7 (The question requested was read back</p> <p>8 by the reporter.</p> <p>9 THE WITNESS: That didn't help me.</p> <p>10 Can we try again?</p> <p>11 BY MR. HACKNEY:</p> <p>12 Q. Yeah. So, I think -- let me try and</p> <p>13 summarize what you've said.</p> <p>14 I believe that you have testified</p> <p>15 that you believe the CAFRs are reliable financial</p> <p>16 information sets, correct?</p> <p>17 A. Right. I -- the CAFRs are based on</p> <p>18 financial information that has been tested and</p> <p>19 vetted and upon which KPMG has opined. Okay?</p> <p>20 I may quibble with some of the</p> <p>21 accounting that's in there just because I have a</p> <p>22 view of certain things. Okay? But at least at</p> <p>23 that point in time, if we're looking at, for</p> <p>24 example, the CAFR in June of '12, which was the</p> <p>25 basis for the original baseline by E&Y, if they</p>

26 (Pages 101 to 104)

<p style="text-align: right;">Page 105</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 said they had 10,002 employees and they paid them</p> <p>3 \$386 million, I think those are probably very good</p> <p>4 numbers.</p> <p>5 Q. Okay. So, I think we're on common</p> <p>6 ground when we say to one another the CAFRs are in</p> <p>7 your view reliable financial information sets,</p> <p>8 correct?</p> <p>9 A. Right.</p> <p>10 Q. We then talked about the -- in the</p> <p>11 interim between --</p> <p>12 A. Right.</p> <p>13 Q. -- between the CAFRs, I think your</p> <p>14 testimony was to the effect of some information</p> <p>15 may be reliable and some may not be reliable,</p> <p>16 correct?</p> <p>17 A. Yes.</p> <p>18 Q. That's part of the problem that</p> <p>19 Detroit is facing now, right, it's difficulty with</p> <p>20 its an assembly of financial information?</p> <p>21 A. Yes.</p> <p>22 Q. So my question is that to the extent</p> <p>23 that the forecasts in the plan are based on</p> <p>24 information that was developed after the 2012</p> <p>25 fiscal year CAFR, you have not made an assessment</p>	<p style="text-align: right;">Page 107</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. Okay. Now, with respect to the</p> <p>4 forecasts that are included in the plan, what is</p> <p>5 the base year for those forecasts?</p> <p>6 A. The base year for the original</p> <p>7 ten-year was 2012 and then it was updated for</p> <p>8 information that was known in 2013 and it has been</p> <p>9 subsequently updated for information that is known</p> <p>10 in 2014, which is the year we just finished.</p> <p>11 Q. So let's get terminology straight,</p> <p>12 because I would get this turned around.</p> <p>13 But isn't it true that fiscal year</p> <p>14 2013 ended on June 30th, 2013?</p> <p>15 A. Correct.</p> <p>16 Q. Okay.</p> <p>17 A. And that's the first baseline.</p> <p>18 Q. And you understand that when the</p> <p>19 first baseline forecast was being built it was</p> <p>20 prior to the end of fiscal year 2013?</p> <p>21 A. Yes.</p> <p>22 Q. And so, in that forecast, the base</p> <p>23 year was clearly fiscal year 2012, correct?</p> <p>24 A. Up to -- yes, and updated for what</p> <p>25 was discernable and knowable before that</p>
<p style="text-align: right;">Page 106</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 of whether that financial information is reliable,</p> <p>3 correct?</p> <p>4 A. Individually that is correct. Yes.</p> <p>5 Q. Okay. And isn't it true that the</p> <p>6 fiscal year 2013 CAFR just came out last week?</p> <p>7 A. That is correct.</p> <p>8 Q. So that wasn't available to the</p> <p>9 forecasters at EY in connection with their</p> <p>10 forecast, correct?</p> <p>11 A. Parts of that -- information that is</p> <p>12 contained in the CAFR is available throughout the</p> <p>13 year. So, for example, the City has a good handle</p> <p>14 on cash, so it can tell you how much cash it has</p> <p>15 and how much cash it has to pay, right?</p> <p>16 What its future obligations may be</p> <p>17 for some construction project that's going on, it</p> <p>18 probably can't tell you.</p> <p>19 Q. Okay. So there were parts of the</p> <p>20 2013 CAFR that may have been available to E&Y --</p> <p>21 A. Yes.</p> <p>22 Q. -- and parts that were not?</p> <p>23 A. Correct.</p> <p>24 Q. And they -- the same parts were</p> <p>25 available to you and not, correct?</p>	<p style="text-align: right;">Page 108</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 projection was made.</p> <p>3 Q. So I understand that the projection</p> <p>4 involves updating --</p> <p>5 A. Yes.</p> <p>6 Q. -- things, but when I talk about the</p> <p>7 base year, that's not something that you update,</p> <p>8 correct?</p> <p>9 A. Correct.</p> <p>10 Q. The base year is the historical base,</p> <p>11 correct?</p> <p>12 A. Correct. Yes.</p> <p>13 Q. So, when we get to the forecasts that</p> <p>14 are included in the instant plan, the most recent</p> <p>15 set of those was dated July 2nd, correct?</p> <p>16 A. Correct.</p> <p>17 Q. And that's of 2014?</p> <p>18 A. Correct.</p> <p>19 Q. What was the historical base year for</p> <p>20 the forecasts that are in the plan?</p> <p>21 A. It's -- it's still the baseline plan,</p> <p>22 the ten-year plan, updated for the updated RRI's,</p> <p>23 updated for the new 40-year.</p> <p>24 Q. But based off of fiscal year 2012?</p> <p>25 A. The baseline was 2012.</p>

27 (Pages 105 to 108)

<p style="text-align: right;">Page 109</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Right.</p> <p>3 A. Right.</p> <p>4 Q. But what about the ten-year</p> <p>5 restructuring forecast? Is that base year 2012?</p> <p>6 Base year 2013?</p> <p>7 A. The ten-year restructuring forecast,</p> <p>8 I think of that as the 40-year plan. The ten-year</p> <p>9 that's within the 40-year?</p> <p>10 Q. Yes.</p> <p>11 A. I think that has been largely up</p> <p>12 dated for '13.</p> <p>13 Q. Okay. So is the base year for the</p> <p>14 40-year that includes the 10-year --</p> <p>15 A. Yes.</p> <p>16 Q. -- fiscal year 2013?</p> <p>17 A. It's '12 adjusted for what they knew</p> <p>18 about '13.</p> <p>19 Q. Okay. So it's --</p> <p>20 A. It's a hybrid.</p> <p>21 Q. -- it's a bit of a hybrid?</p> <p>22 A. It is.</p> <p>23 Q. Okay. And is that typical in</p> <p>24 forecasting?</p> <p>25 A. Is it typical in forecasting? It is</p>	<p style="text-align: right;">Page 111</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 had to be.</p> <p>3 Q. Yeah. It had to be.</p> <p>4 A. By definition, had to be.</p> <p>5 Q. Are there problems with the forecasts</p> <p>6 that are in the plan in your view?</p> <p>7 A. Problems? I -- I don't -- there's</p> <p>8 not problems with them in the sense of where they</p> <p>9 end up, right? I, again, have been really</p> <p>10 critical of how confusing they are.</p> <p>11 Q. I was going to say that it seems to</p> <p>12 me that when a forecast is confusing, and I'm one</p> <p>13 of the people that shares your view that they're</p> <p>14 confusing, that strikes me as a problem with the</p> <p>15 forecast. I think a forecast should not be</p> <p>16 confusing, but that's me and I wanted to ask</p> <p>17 whether or not the confusing nature of the</p> <p>18 forecasts was a problem from your point of view?</p> <p>19 A. It -- it caused my team to spend an</p> <p>20 enormous amount of time in understanding and</p> <p>21 checking the model, right? It -- it -- I think</p> <p>22 the -- the word I'd use in here or a word I used</p> <p>23 at one point in time was it was tedious.</p> <p>24 Q. Isn't it fair to say that it -- it</p> <p>25 took an enormous amount of time just to understand</p>
<p style="text-align: right;">Page 110</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 typical if forecasting goes on for a long period</p> <p>3 of time as this has. And think about it. They've</p> <p>4 been -- they've been doing these forecasts for a</p> <p>5 long, long time, and so they keep updating them.</p> <p>6 But originally, it started with the baseline which</p> <p>7 was predicated on '12 -- of 2012.</p> <p>8 Q. Okay. And so to the extent the</p> <p>9 forecast for 2013 was superseded by actual</p> <p>10 results, your testimony is that the forecast was</p> <p>11 updated to take account of the actual results that</p> <p>12 had already happened?</p> <p>13 A. To the -- to the extent that -- yes,</p> <p>14 there are -- there are updates. Because there</p> <p>15 are -- I'm trying to think, I think there are six</p> <p>16 sets of projections, right? We only focused on</p> <p>17 the May 5th and the July 2nd, but there were other</p> <p>18 sets of projections before that that existed, you</p> <p>19 know, from that. So, all of those have changed</p> <p>20 and incorporated both new actual results and new</p> <p>21 assumptions.</p> <p>22 Q. And the new actual results</p> <p>23 post-fiscal year 2012 are ones that were derived</p> <p>24 from something other than the CAFR, correct?</p> <p>25 A. As the CAFR was filed last week, yes,</p>	<p style="text-align: right;">Page 112</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the model?</p> <p>3 A. We -- yes. I -- I believe that I</p> <p>4 have a good understanding of all the models. You</p> <p>5 know, members of my team have a -- an incredibly</p> <p>6 intimate understanding of those models. But that</p> <p>7 required a significant effort on our part, but we</p> <p>8 understand them now.</p> <p>9 Q. How long would you say it took you</p> <p>10 and your team to reach the point where you could</p> <p>11 say, okay, I now have an understanding of the</p> <p>12 model?</p> <p>13 A. About the -- by the time we got the</p> <p>14 July 2nd numbers, we had a really good</p> <p>15 understanding of the May 5th numbers.</p> <p>16 Q. Okay. So, you were retained on or</p> <p>17 about April 22?</p> <p>18 A. April 22nd. We got the working</p> <p>19 models on the E&Y stuff Memorial Day.</p> <p>20 Q. Which was April 30 or something like</p> <p>21 that?</p> <p>22 A. May something or other, right?</p> <p>23 Q. Okay.</p> <p>24 A. And, you know, within a couple of</p> <p>25 weeks of actually getting the working models, we</p>

28 (Pages 109 to 112)

<p style="text-align: right;">Page 113</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 were in -- in pretty good stead with understanding</p> <p>3 the May 5th, and then we got the July 2nd and went</p> <p>4 through a similar process with that; albeit, you</p> <p>5 know, we already knew how they worked so it was</p> <p>6 easier to do those.</p> <p>7 Q. So would you say by the end of May</p> <p>8 that you believe your team had achieved a good</p> <p>9 working understanding?</p> <p>10 A. No. By the end of -- by the end of</p> <p>11 June.</p> <p>12 Q. Oh, by the end of June?</p> <p>13 A. By the end of June.</p> <p>14 Q. And you --</p> <p>15 A. We didn't get the working models</p> <p>16 until the end of May.</p> <p>17 Q. Okay. You had less than --</p> <p>18 A. May something or other.</p> <p>19 Q. You had less than 90 days to do your</p> <p>20 work in this case, correct?</p> <p>21 A. Yeah, whatever it's been.</p> <p>22 Q. So May, June, July -- April 22 to</p> <p>23 May -- July 18 I think.</p> <p>24 A. Yes.</p> <p>25 Q. Did you have sufficient time to do</p>	<p style="text-align: right;">Page 115</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 sure, right?</p> <p>3 Q. And my question was, you haven't done</p> <p>4 a comprehensive review to test whether Conway is</p> <p>5 correct in either the assessment of operational</p> <p>6 needs or its conclusion regarding whether the RRI's</p> <p>7 will solve the operational needs, correct?</p> <p>8 A. That's correct.</p> <p>9 Q. What -- what revenue streams are not</p> <p>10 included in the plan forecasts?</p> <p>11 A. The Grand Bargain revenue streams.</p> <p>12 Q. Okay. Those are not included in the</p> <p>13 forecasts?</p> <p>14 A. Well, they're in the forecasts, but</p> <p>15 they're not in the -- they're in the plan</p> <p>16 forecast, but they're not in the City's budget</p> <p>17 because those monies don't -- they don't flow</p> <p>18 through the city when they come in.</p> <p>19 Q. Understood. Okay. So the Grand</p> <p>20 Bargain forecasts are not -- not --</p> <p>21 A. So the --</p> <p>22 Q. -- in -- the Grand Bargain proceeds</p> <p>23 are not in the City's forecasts, correct?</p> <p>24 A. They're in the plan, but they're not</p> <p>25 in -- I -- I may have confused myself.</p>
<p style="text-align: right;">Page 114</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 your work?</p> <p>3 A. I feel like I did. I mean there's</p> <p>4 still a couple of things that, as I said in to</p> <p>5 response to Mr. Stewart, questions that I intend</p> <p>6 to do going forward. But for the most part, I am</p> <p>7 satisfied with our ability to evaluate what all</p> <p>8 the information that was available and meet with</p> <p>9 the people that were available and do what we</p> <p>10 needed to do.</p> <p>11 Q. With respect to the forecasts?</p> <p>12 A. With respect to the forecasts.</p> <p>13 Q. Now, with respect to the</p> <p>14 restructuring and reinvestment initiatives, you're</p> <p>15 not offering the opinion that they will achieve</p> <p>16 the goals that they're held out to achieve,</p> <p>17 correct?</p> <p>18 A. No. No.</p> <p>19 Q. And you haven't conducted a</p> <p>20 comprehensive review of the City's department from</p> <p>21 an operational standpoint to understand how the</p> <p>22 restructuring and reinvestment initiatives map on</p> <p>23 to needs of each department, correct?</p> <p>24 A. I have not redone -- I have not</p> <p>25 redone the work that Conway has done. That's for</p>	<p style="text-align: right;">Page 116</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 They're not in -- they're not what we</p> <p>3 would consider to be part of the City's budget.</p> <p>4 Q. Understood.</p> <p>5 A. Right. But they're in the plan as a</p> <p>6 sources of funds.</p> <p>7 Q. Okay. So, let me -- let me put --</p> <p>8 let me turn the question around, which is what</p> <p>9 revenue streams did you not study?</p> <p>10 A. I don't think that there was any</p> <p>11 revenue stream of a recurring nature that we</p> <p>12 didn't study.</p> <p>13 Q. Well, what about something like DWSD?</p> <p>14 Did you undertake an analysis to determine whether</p> <p>15 in the future the City's general fund might obtain</p> <p>16 revenue from what is currently known as DWSD?</p> <p>17 A. We did not do that.</p> <p>18 Q. Okay. So you have no opinions on</p> <p>19 that one way or the other?</p> <p>20 A. I do not.</p> <p>21 Q. You are generally aware that there is</p> <p>22 this concept that the DWSD may change the</p> <p>23 structuring in which it's housed in a way that</p> <p>24 yields an additional revenue stream to the general</p> <p>25 fund?</p>

29 (Pages 113 to 116)

<p style="text-align: right;">Page 117</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. KANE: Objection. You can</p> <p>3 answer.</p> <p>4 BY MR. HACKNEY:</p> <p>5 Q. Just -- are you aware of the concept?</p> <p>6 A. I'm aware that there's discussion</p> <p>7 around that, yes, and that DWSD is an enterprise</p> <p>8 fund.</p> <p>9 Q. Other than that, DWSD was outside</p> <p>10 your scope?</p> <p>11 A. DW -- other than the pension funding</p> <p>12 transfer from DWSD to the general fund, I did not</p> <p>13 look at DWSD.</p> <p>14 Q. What about, did you study the</p> <p>15 likelihood and magnitude of potential asset sales?</p> <p>16 A. I met with people in the City and</p> <p>17 with the City's advisors to talk about potential</p> <p>18 asset sales, yes.</p> <p>19 Q. Are potential asset sales included in</p> <p>20 the plan forecasts as a potential source of</p> <p>21 revenue?</p> <p>22 A. No.</p> <p>23 Q. Okay. So, is it fair to say that,</p> <p>24 because they're not in the forecasts, you don't</p> <p>25 have an opinion on the likelihood of revenue that</p>	<p style="text-align: right;">Page 119</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 United States could impact the City over the next</p> <p>3 ten years, correct?</p> <p>4 A. It could.</p> <p>5 Q. Did you conduct a separate analysis</p> <p>6 of that question?</p> <p>7 A. No.</p> <p>8 Q. What kinds of information were you</p> <p>9 unable to examine regarding the forecasts?</p> <p>10 A. I -- the -- the exhibit here of what</p> <p>11 the open requests I was not able, I obviously</p> <p>12 haven't -- they're still open requests, so I</p> <p>13 haven't looked at that.</p> <p>14 Q. Anything else other than that that</p> <p>15 was something that you would have liked to have</p> <p>16 had but you didn't?</p> <p>17 A. Not that I'm recalling.</p> <p>18 Q. What about information regarding</p> <p>19 grants? Did you undertake an assessment of what</p> <p>20 grants the City is or is not likely to get in the</p> <p>21 future?</p> <p>22 A. Only as it relates to the</p> <p>23 departmental reviews, not a broad review of grants</p> <p>24 that are available that it doesn't apply for, no.</p> <p>25 Q. What are the assumptions that area in</p>
<p style="text-align: right;">Page 118</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 will arise from asset sales in the future?</p> <p>3 A. That's correct.</p> <p>4 Q. Okay. What are the uncertainties</p> <p>5 that exist over the next ten years that could</p> <p>6 impact the forecasts?</p> <p>7 A. I think we went through them, right,</p> <p>8 in the report? The risk and opportunity.</p> <p>9 Q. So, yeah -- to the -- to the extent</p> <p>10 there are uncertainties, if I want to know what</p> <p>11 your view on that is, I should read your report?</p> <p>12 A. You should. And it's the section on</p> <p>13 risk and opportunity.</p> <p>14 Q. Do you agree that changes to the law</p> <p>15 is an uncertainty that could impact the forecast?</p> <p>16 A. Changes to what law?</p> <p>17 Q. Any law.</p> <p>18 A. That impacts the City? It could.</p> <p>19 Q. Changes to the tax law could</p> <p>20 certainly impact the forecast?</p> <p>21 A. Yes.</p> <p>22 Q. Did you study the likelihood of</p> <p>23 changes to tax law?</p> <p>24 A. Generally, no.</p> <p>25 Q. The macroeconomic condition of the</p>	<p style="text-align: right;">Page 120</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the forecasts regarding what grants the City will</p> <p>3 get?</p> <p>4 A. It -- again, there's an exhibit in</p> <p>5 here that identifies the grants and the totality</p> <p>6 of the grants, but they -- they're fire and</p> <p>7 safety, public safety and transportation</p> <p>8 primarily.</p> <p>9 Q. And did you undertake any assessment</p> <p>10 of the likelihood that they would get those</p> <p>11 grants?</p> <p>12 A. No, I mean in terms of -- no. I mean</p> <p>13 there -- I assumed -- I looked at the grants that</p> <p>14 they're assuming they're going to get and I agreed</p> <p>15 that it looks like they're going to get those</p> <p>16 grants.</p> <p>17 Q. On what basis?</p> <p>18 A. On the fact that they've applied for</p> <p>19 those, like the SAFER grants for the fire</p> <p>20 department, those sort of things.</p> <p>21 Q. So the extent of your confirmation</p> <p>22 was to confirm that they had, in fact, applied for</p> <p>23 the grants?</p> <p>24 A. No. My -- my analysis of that was to</p> <p>25 get comfortable that the grants that were in the</p>

30 (Pages 117 to 120)

<p style="text-align: right;">Page 125</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 initially filed in February, two months before</p> <p>3 your appointment, called for steeper cuts than are</p> <p>4 in the current plan?</p> <p>5 A. I -- I have no recollection of that.</p> <p>6 Q. So, just as you sit here today you're</p> <p>7 not generally aware of the fact that the City</p> <p>8 reduced the pension cuts significantly between the</p> <p>9 first -- reduced the pension cuts between the</p> <p>10 first plan and the plan that's on file?</p> <p>11 A. No. I -- when I got appointed,</p> <p>12 right, the -- was the day before I went I think</p> <p>13 for my interview with the Judge, the fourth plan</p> <p>14 got filed and, at that point, I didn't look at</p> <p>15 anything other than the fourth plan going forward.</p> <p>16 So I just -- I don't have any --</p> <p>17 Q. I see.</p> <p>18 A. I don't have any recollection.</p> <p>19 Q. So -- okay. Let me ask it then as a</p> <p>20 hypothetical. Okay?</p> <p>21 A. Okay.</p> <p>22 Q. If the prior plans included steeper</p> <p>23 cuts to pensions than the current plan --</p> <p>24 A. Okay.</p> <p>25 Q. -- from your standpoint, that would</p>	<p style="text-align: right;">Page 127</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 any of the settlements would, would reduce the</p> <p>3 amount of cash the City has to pay to somebody,</p> <p>4 I'm going to think that improves the feasibility.</p> <p>5 Q. Understood. I wasn't trying to trap</p> <p>6 you into a notion where, you know, if you cut</p> <p>7 pensions more, but then you give the savings and</p> <p>8 more to someone else?</p> <p>9 A. Right.</p> <p>10 Q. I was saying all things being equal,</p> <p>11 the steeper the cuts to the pensions, the more</p> <p>12 feasible the City would become from a financial</p> <p>13 standpoint?</p> <p>14 A. And again, I just have conceptually a</p> <p>15 hard time isolating a single action around, you</p> <p>16 know, what you're trying -- to get. It sounds to</p> <p>17 me like you're trying to get me into the best</p> <p>18 interest of creditors and I'm just not going</p> <p>19 there.</p> <p>20 Q. No. I'm trying to assess your own</p> <p>21 definitions of feasibility.</p> <p>22 A. Yes.</p> <p>23 Q. Which you admit is on a continuum,</p> <p>24 correct?</p> <p>25 A. It is on A continuum.</p>
<p style="text-align: right;">Page 126</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 increase the likelihood that the prior plans, all</p> <p>3 things being equal, were feasible, correct?</p> <p>4 Because it would make the City's ability to comply</p> <p>5 with the plan a lower bar?</p> <p>6 MR. ALBERTS: Objection.</p> <p>7 THE WITNESS: More cash available</p> <p>8 improves feasibility.</p> <p>9 BY MR. HACKNEY:</p> <p>10 Q. If steeper cuts to pensions increases</p> <p>11 the amount of cash that's available, steeper cuts</p> <p>12 to pensions makes the plan more feasible. Do you</p> <p>13 agree?</p> <p>14 A. I'm not sure if it's -- that's it's</p> <p>15 if P then Q, and you're saying Q therefore P. I'm</p> <p>16 not sure that -- that you can do that, right?</p> <p>17 Q. Why not?</p> <p>18 A. Well, because again, it's -- it's the</p> <p>19 totality of the cash that's available. So would I</p> <p>20 like to have -- again, I have been very clear in</p> <p>21 my report. I'm being very clear today.</p> <p>22 I would like to see more cash that's</p> <p>23 not committed to somebody or something available</p> <p>24 in this plan to provide cushion for variabilities</p> <p>25 that are necessarily going to happen. So if -- if</p>	<p style="text-align: right;">Page 128</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So feasibility isn't just a magical</p> <p>3 point on the spectrum, right?</p> <p>4 A. Right. It's a hurdle.</p> <p>5 Q. It's a --</p> <p>6 A. You got to get over the hurdle of</p> <p>7 feasibility and then it's a continuum.</p> <p>8 Q. And the hurdle is the obligations</p> <p>9 imposed on the City under the plan, right?</p> <p>10 A. Yes.</p> <p>11 Q. The lower those obligations, the</p> <p>12 lower the hurdle. Do you agree with that?</p> <p>13 A. All other things equal, yes.</p> <p>14 Q. Have you ever seen another</p> <p>15 municipality do a ten-year forecast?</p> <p>16 A. I have, but, again, not -- generally,</p> <p>17 it's around long-term financing in terms of -- it</p> <p>18 tends not to be a full-blown revenues and</p> <p>19 expenses. It tends to look at certain kinds of</p> <p>20 long-term obligations or long-term revenue</p> <p>21 sources, yes.</p> <p>22 Q. Have you ever seen another</p> <p>23 municipality do a comprehensive general fund</p> <p>24 forecast over a ten-year period?</p> <p>25 A. I have not.</p>

<p style="text-align: right;">Page 129</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. Have you ever seen another</p> <p>3 municipality do a comprehensive general fund</p> <p>4 forecast over a 40-year period -- a gen --</p> <p>5 comprehensive general fund forecast over a 40-year</p> <p>6 period?</p> <p>7 A. Forty years.</p> <p>8 Q. Yeah.</p> <p>9 A. No.</p> <p>10 Q. So, the two that are in the plan, the</p> <p>11 10-year and the 40-year, are the first you've ever</p> <p>12 seen a municipality do, correct?</p> <p>13 A. That I've ever seen? Yes.</p> <p>14 Q. Have you ever seen a municipality do</p> <p>15 a forecast when it was undergoing this level of</p> <p>16 change?</p> <p>17 A. Personally? No.</p> <p>18 Q. Ma'am, have you ever been qualified</p> <p>19 in a court of law as an expert before?</p> <p>20 A. I have.</p> <p>21 Q. Okay. And tell me how many times</p> <p>22 that's happened to you?</p> <p>23 A. We should go back and look at my</p> <p>24 testimony list, right? Probably -- I don't think</p> <p>25 it's in there. I think it's in my proposal. I</p>	<p style="text-align: right;">Page 131</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 example would be valuation. Have you been</p> <p>3 qualified as an expert in valuation?</p> <p>4 A. I don't think so. I don't think so.</p> <p>5 Q. You talked about solvency.</p> <p>6 A. Yes.</p> <p>7 Q. Have you ever been qualified as an</p> <p>8 expert in whether an entity is or is not solvent?</p> <p>9 A. Yes.</p> <p>10 Q. Have you ever offered expert</p> <p>11 testimony as to whether or not a plan was</p> <p>12 feasible?</p> <p>13 A. I don't think so in terms of that</p> <p>14 narrow definition of feasibility.</p> <p>15 Q. Okay.</p> <p>16 A. Right?</p> <p>17 Q. Have you ever offered expert</p> <p>18 testimony in a Chapter 9 case?</p> <p>19 A. No. No.</p> <p>20 MR. KANE: Other than this one?</p> <p>21 BY MR. HACKNEY:</p> <p>22 Q. Other than this one -- other than</p> <p>23 today?</p> <p>24 A. Yeah.</p> <p>25 Q. Have you ever offered expert</p>
<p style="text-align: right;">Page 130</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 referenced it.</p> <p>3 MR. KANE: I've got some copies of it</p> <p>4 if you want it.</p> <p>5 BY MR. HACKNEY:</p> <p>6 Q. Okay. I missed that.</p> <p>7 A. Yeah. More than two, probably less</p> <p>8 than five, ten. Something like that.</p> <p>9 Q. Okay. So that means that's where a</p> <p>10 Court has said Ms. Kopacz is an expert and I'm</p> <p>11 going to allow her to testify on Subject X?</p> <p>12 A. Right.</p> <p>13 Q. And it's somewhere between two and</p> <p>14 five?</p> <p>15 A. That's what I'm thinking.</p> <p>16 Q. What were the subjects of your</p> <p>17 testimony?</p> <p>18 A. Generally, it's all been insolvency</p> <p>19 and restructuring oriented. So whether or not,</p> <p>20 you know, an entity was solvent or insolvent.</p> <p>21 Whether or not -- it's all -- I mean, my career</p> <p>22 has been spent in restructuring, so it's all in</p> <p>23 that context.</p> <p>24 Q. A very typical restructuring expert</p> <p>25 testimonies that I come across in my practice, an</p>	<p style="text-align: right;">Page 132</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 testimony on whether a plan satisfies the best</p> <p>3 interests of creditors test?</p> <p>4 A. No.</p> <p>5 Q. Other than expert testimony on</p> <p>6 insolvency, do you remember any -- any other areas</p> <p>7 where you testified as an expert?</p> <p>8 A. Yes. And I have testified -- I have</p> <p>9 testified on behalf of clients in a variety of</p> <p>10 bankruptcy hearings and confirmation hearings and</p> <p>11 I -- to be honest with you, I don't really know if</p> <p>12 that's expert or fact or some sort of mix of the</p> <p>13 two. All right? I -- very few times in my career</p> <p>14 have I been hired exclusively as an expert. I've</p> <p>15 generally been the financial advisor, the chief</p> <p>16 restructuring officer or had some other role</p> <p>17 before I got to the witness stand.</p> <p>18 Q. And it does create some complexity</p> <p>19 because sometimes an FA will be a witness to facts</p> <p>20 that happen in the bankruptcy.</p> <p>21 A. Yes.</p> <p>22 Q. And then they will also have the</p> <p>23 expertise to render opinions, as we lawyers think</p> <p>24 of them, in connection with their testimony. So I</p> <p>25 under -- understand what I think you're alluding</p>

33 (Pages 129 to 132)

<p style="text-align: right;">Page 145</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the average income data for the City of Detroit,</p> <p>3 correct?</p> <p>4 A. That's correct.</p> <p>5 Q. Okay. You relied on data that was</p> <p>6 given to you by Ernst & Young?</p> <p>7 A. That's correct.</p> <p>8 Q. Okay. And you haven't taken steps to</p> <p>9 assess the accuracy of that data, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. And with respect to the level of</p> <p>12 unemployment in the City, you also relied on data</p> <p>13 that was given to you by Ernst & Young, correct?</p> <p>14 A. Yes.</p> <p>15 Q. But you did not attempt to</p> <p>16 independently verify that data --</p> <p>17 A. I'm not --</p> <p>18 Q. -- correct?</p> <p>19 A. -- sure. I'm not sure what</p> <p>20 independent information we had on employment -- on</p> <p>21 unemployment.</p> <p>22 Q. Okay. You may have. You may not</p> <p>23 have. You just don't know?</p> <p>24 A. Yes.</p> <p>25 Q. Is it true that unemployment in the</p>	<p style="text-align: right;">Page 147</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 if he wants you to look for the specific</p> <p>3 page.</p> <p>4 MR. HACKNEY: Yeah, that's okay.</p> <p>5 THE WITNESS: Yeah. No.</p> <p>6 BY MR. HACKNEY:</p> <p>7 Q. I am correct when I say that, right?</p> <p>8 A. Correct.</p> <p>9 Q. And you also did not conduct any</p> <p>10 sensitivity analysis around casino gaming revenue,</p> <p>11 correct?</p> <p>12 A. Whatever's in here is what we did.</p> <p>13 Q. Okay. So if you did sensitivity</p> <p>14 analysis, it's in your report, correct?</p> <p>15 A. That's correct.</p> <p>16 Q. If it's not in your report, it's</p> <p>17 because you didn't do it?</p> <p>18 A. That's correct.</p> <p>19 Q. What is the utility user's tax?</p> <p>20 A. It is a tax that the City of Detroit</p> <p>21 assesses on telephone, cable, utility charges to</p> <p>22 residents in Detroit.</p> <p>23 Q. Now, when it came to historical data</p> <p>24 about utility user tax revenues, you relied on</p> <p>25 what was given to you by Ernst & Young; is that</p>
<p style="text-align: right;">Page 146</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 City of Detroit bottomed out in 2010?</p> <p>3 A. I don't know that.</p> <p>4 Q. Isn't it true that year over year</p> <p>5 since 2010 unemployment has decreased?</p> <p>6 A. I don't know that.</p> <p>7 Q. Do you know how the City's current</p> <p>8 unemployment rates compare to last year's</p> <p>9 unemployment rates?</p> <p>10 A. I don't.</p> <p>11 Q. Let me ask you some questions about</p> <p>12 the wagering revenues.</p> <p>13 What is the tax rate that's applied</p> <p>14 to the wagering revenues?</p> <p>15 A. It's in my report. It's 10.95? We</p> <p>16 can look it up.</p> <p>17 Q. Did you conduct any independent</p> <p>18 analysis of the gaming market in the City of</p> <p>19 Detroit?</p> <p>20 A. I did not.</p> <p>21 Q. Okay. So you didn't do an</p> <p>22 independent study to understand, for example, the</p> <p>23 impact that the Toledo casinos will have on the</p> <p>24 casinos in the City of Detroit; is that correct?</p> <p>25 MR. KANE: He'll direct you to this</p>	<p style="text-align: right;">Page 148</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 correct?</p> <p>3 A. That's correct.</p> <p>4 Q. You did not attempt to independently</p> <p>5 assess that data, correct?</p> <p>6 A. Correct.</p> <p>7 Q. And to the extent you conducted</p> <p>8 sensitivity analysis around the utility user's</p> <p>9 tax, it will be in your report?</p> <p>10 A. We did not.</p> <p>11 Q. You did not? I --</p> <p>12 A. Did not.</p> <p>13 Q. It's not a memory test, but it's</p> <p>14 fine.</p> <p>15 Let's talk a little bit about your</p> <p>16 experience -- your personal experience forecasting</p> <p>17 municipal revenues -- or I'm sorry, doing</p> <p>18 municipal forecasts of both revenues and expenses.</p> <p>19 Okay?</p> <p>20 A. Okay.</p> <p>21 Q. So tell me about the times that</p> <p>22 you've had the opportunity to do it personally.</p> <p>23 A. I have not directly worked for a</p> <p>24 municipality in projecting revenues or expenses.</p> <p>25 Q. Okay. What do you mean by</p>

37 (Pages 145 to 148)

<p style="text-align: right;">Page 157</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. No.</p> <p>3 Q. What about judgmental forecasting?</p> <p>4 A. No.</p> <p>5 Q. Consensus forecasting, do you know</p> <p>6 what that is?</p> <p>7 A. Consensus generally means that</p> <p>8 everybody agrees on It. It's -- it's the way that</p> <p>9 Michigan does its revenue forecasting and Detroit</p> <p>10 does it.</p> <p>11 Q. That's using multiple people to check</p> <p>12 one another, correct?</p> <p>13 A. Yes.</p> <p>14 Q. And then do you know what expert</p> <p>15 forecasting is in the qualitative context?</p> <p>16 A. No.</p> <p>17 Q. Fair to say that you have never</p> <p>18 consciously applied these methodologies in your</p> <p>19 own forecasting work?</p> <p>20 A. That's correct.</p> <p>21 Q. And you did not in connection with</p> <p>22 the City's forecasting?</p> <p>23 A. That's correct.</p> <p>24 Q. Now, let me ask you some questions</p> <p>25 about the -- the quantitative types.</p>	<p style="text-align: right;">Page 159</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. To -- when you say I'm not aware of</p> <p>3 someone doing it, your expectation is that it</p> <p>4 wasn't done?</p> <p>5 A. That's correct.</p> <p>6 Q. Okay. And similarly, have you ever</p> <p>7 heard of regression analysis?</p> <p>8 A. Yes.</p> <p>9 Q. You didn't perform any regression</p> <p>10 analysis with respect to the City forecasts?</p> <p>11 A. That's correct.</p> <p>12 Q. And to the best of your knowledge,</p> <p>13 neither did the City, correct?</p> <p>14 A. Not that I'm aware of.</p> <p>15 Q. Okay. Are you aware of -- of what's</p> <p>16 called a time series forecast?</p> <p>17 A. Yes.</p> <p>18 Q. You didn't perform any time series</p> <p>19 analysis of the City's forecast, correct?</p> <p>20 A. That's correct.</p> <p>21 Q. And to the best of your knowledge,</p> <p>22 neither did the City?</p> <p>23 A. Not that I'm aware of.</p> <p>24 Q. Okay. And then you're aware of a</p> <p>25 concept of trend analysis, correct?</p>
<p style="text-align: right;">Page 158</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Have you ever heard of econometric</p> <p>3 forecasting?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. You did not perform any</p> <p>6 econometric forecasting, correct?</p> <p>7 A. That's right.</p> <p>8 Q. Neither did the City, right?</p> <p>9 A. I'm not going to answer for the City.</p> <p>10 Q. Oh, you don't know whether they did</p> <p>11 or they didn't?</p> <p>12 A. I'm not -- again, I didn't do any,</p> <p>13 but I didn't -- I haven't seen any, so...</p> <p>14 Q. Sorry. Maybe I'm not asking my</p> <p>15 question the right way.</p> <p>16 In connection with the City's</p> <p>17 forecasts, you're unaware of anyone associated</p> <p>18 with the City performing an econometric forecast?</p> <p>19 A. Like I said, I'm not aware of it, but</p> <p>20 I don't know.</p> <p>21 Q. Okay. So I'm not trying to -- I'm</p> <p>22 not trying to sharp shoot you, but one of your</p> <p>23 jobs here was to understand everything about the</p> <p>24 forecasts, so --</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 160</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Yes.</p> <p>3 Q. You didn't perform trend analysis</p> <p>4 with respect to the City's forecasts?</p> <p>5 A. That I would say we did.</p> <p>6 Q. Okay. That is something you would</p> <p>7 say that you did do?</p> <p>8 A. Yes.</p> <p>9 Q. And did the City do that?</p> <p>10 A. I believe the City did that.</p> <p>11 Q. Okay. Now, have you reviewed the</p> <p>12 National Advisory Council on State and Local</p> <p>13 Budgeting and their publications?</p> <p>14 A. I have not.</p> <p>15 Q. Do you agree that forecasting is a</p> <p>16 highly subjective area?</p> <p>17 A. Yes.</p> <p>18 Q. And, as such, it's subject to the</p> <p>19 biases of the person doing the forecast, correct?</p> <p>20 A. Yes. And -- and -- but I would</p> <p>21 qualify biases as neither good nor bad.</p> <p>22 Q. Understood. It's not a -- it's not</p> <p>23 meant to be a negative word like -- like racial</p> <p>24 bias.</p> <p>25 A. Right.</p>

40 (Pages 157 to 160)

<p style="text-align: right;">Page 161</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. It's meant to be a word that says</p> <p>3 your own personal viewpoint can have an impact on</p> <p>4 your forecast?</p> <p>5 A. That's correct. I agree with that.</p> <p>6 Q. And do you -- as a restructuring</p> <p>7 professional, do you understand the idea that the</p> <p>8 City here has an incentive to have a very</p> <p>9 conservative forecast?</p> <p>10 MR. KANE: Objection. You can</p> <p>11 answer.</p> <p>12 THE WITNESS: I --</p> <p>13 BY MR. HACKNEY:</p> <p>14 Q. Thinking about it from the stand --</p> <p>15 just as a restructuring professional and drawing</p> <p>16 on your experience, do you understand the general</p> <p>17 concept that the City has an incentive to have a</p> <p>18 conservative forecast because then it can say to</p> <p>19 creditors, I have nothing more to give you, but if</p> <p>20 it does better than the forecast, it will have</p> <p>21 more cushion later.</p> <p>22 MR. STEWART: Objection.</p> <p>23 THE WITNESS: I'm struggling --</p> <p>24 MR. STEWART: Did you get my</p> <p>25 objection to the question?</p>	<p style="text-align: right;">Page 163</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 record. This is the beginning of Disk</p> <p>3 Number 3.</p> <p>4 BY MR. HACKNEY:</p> <p>5 Q. Ms. Kopacz, welcome back.</p> <p>6 A. Thank you.</p> <p>7 THE VIDEOGRAPHER: Do you have your</p> <p>8 microphone on?</p> <p>9 MR. HACKNEY: I don't. Neither of us</p> <p>10 do.</p> <p>11 MR. KANE: Let the record reflect I</p> <p>12 have mine on.</p> <p>13 MR. HACKNEY: Teacher's pet.</p> <p>14 (Whereupon, a brief discussion was</p> <p>15 held off record.)</p> <p>16 BY MR. HACKNEY:</p> <p>17 Q. Okay. Ms. Kopacz, so do you agree</p> <p>18 that in order to minimize the impacts of</p> <p>19 subjectivity, it is important for a forecaster to</p> <p>20 utilize a reliable methodology?</p> <p>21 A. Never thought about it.</p> <p>22 Q. Okay. Having thought about it for</p> <p>23 the first time, do you agree?</p> <p>24 A. I don't know. I don't know.</p> <p>25 Q. How about put it this way: Do you</p>
<p style="text-align: right;">Page 162</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 THE WITNESS: I'm not under -- I'm --</p> <p>3 I'm struggling with incentive.</p> <p>4 BY MR. HACKNEY:</p> <p>5 Q. Okay. Let's turn it around then.</p> <p>6 You didn't consider or analyze what</p> <p>7 the biases of the City forecasters were, correct?</p> <p>8 A. Correct.</p> <p>9 Q. Okay.</p> <p>10 MR. HACKNEY: Ma'am, there is just</p> <p>11 five minutes left on tape, and one of the</p> <p>12 things I like to tell people is that a</p> <p>13 deposition is not akin to being stretched out</p> <p>14 on the rack. So, if you would like to take a</p> <p>15 lunch break, this could be a good time.</p> <p>16 THE WITNESS: I would like to take a</p> <p>17 break.</p> <p>18 MR. HACKNEY: Okay. Absolutely.</p> <p>19 THE VIDEOGRAPHER: Thank you. The</p> <p>20 time is now 12:17 p.m. We're off the record.</p> <p>21 This is the end of Disk Number 2.</p> <p>22 (Whereupon, a lunch break was taken</p> <p>23 from 12:17 p.m. to 1:20 p.m.)</p> <p>24 THE VIDEOGRAPHER: The time now is</p> <p>25 approximately 1:20 p.m. We're back on the</p>	<p style="text-align: right;">Page 164</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 agree that it's important for a forecaster to use</p> <p>3 a reliable methodology?</p> <p>4 A. Yes.</p> <p>5 Q. What methodology did the City use?</p> <p>6 A. I'm not understanding the question.</p> <p>7 Q. Okay. Methodology is one of those</p> <p>8 words that's kind of hard. It -- the more you try</p> <p>9 define it, the more you can roll around in it.</p> <p>10 Do you have a general understanding</p> <p>11 of the concept of a methodology?</p> <p>12 Let's try and get on common ground in</p> <p>13 terms of what the word means and then we can try</p> <p>14 and ask the questions.</p> <p>15 A. Okay.</p> <p>16 Q. So, when I talk about forecasting</p> <p>17 methodology, what does that mean to you?</p> <p>18 A. Approach.</p> <p>19 Q. Okay. Okay. And so what approach</p> <p>20 did the City utilize in compiling its forecasts?</p> <p>21 A. There's not -- I'm struggling because</p> <p>22 I think the way you're using it is as if there's a</p> <p>23 professional standard for methodology. There are</p> <p>24 like -- like we were talking about generally</p> <p>25 accepted accounting principles. There aren't --</p>

41 (Pages 161 to 164)

<p style="text-align: right;">Page 169</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. Now, I think we talked about</p> <p>4 earlier the fact that you haven't done any?</p> <p>5 A. That's correct.</p> <p>6 Q. Any statistical testing, correct?</p> <p>7 A. Correct.</p> <p>8 Q. Is it fair to say that the City's</p> <p>9 forecasts are -- and I'm talking about the ones in</p> <p>10 the plan of adjustment, you understand that,</p> <p>11 right?</p> <p>12 A. Okay.</p> <p>13 Q. The City's forecasts are principally</p> <p>14 the product of the judgment of the City</p> <p>15 forecasters?</p> <p>16 A. I don't know who that is.</p> <p>17 Q. You don't know --</p> <p>18 A. What are -- tell me who those people</p> <p>19 are.</p> <p>20 Q. Well, I was talking about the</p> <p>21 forecasters that are the subject of your expert</p> <p>22 opinion.</p> <p>23 A. Right.</p> <p>24 Q. So those forecasts are principally</p> <p>25 the product of the judgments of the forecasters.</p>	<p style="text-align: right;">Page 171</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. And then Gaurav Malhotra?</p> <p>3 A. No.</p> <p>4 THE REPORTER: I'm sorry.</p> <p>5 MR. HACKNEY: Gaurav Malhotra.</p> <p>6 And general spellings I can</p> <p>7 definitely give them you at a break.</p> <p>8 Q. You remember Gaurav?</p> <p>9 A. Absolutely I remember Gaurav.</p> <p>10 Q. I didn't hear your answer, I'm sorry.</p> <p>11 A. I said Bob Kline and his team,</p> <p>12 okay --</p> <p>13 (Cell phone interruption.)</p> <p>14 THE VIDEOGRAPHER: I'm sorry that</p> <p>15 shouldn't happen.</p> <p>16 MR. HACKNEY: That's okay. That's a</p> <p>17 good ringer.</p> <p>18 A. Bob Kline and his team, who are a</p> <p>19 division of Ernst & Young in some way, shape or</p> <p>20 form, were the professionals that worked on the</p> <p>21 revenue projections.</p> <p>22 Q. On the revenue projections?</p> <p>23 A. Correct.</p> <p>24 Q. I see what you're saying.</p> <p>25 Okay. So, are you distinguishing</p>
<p style="text-align: right;">Page 170</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Do you agree with that?</p> <p>3 A. I think so. Yes. The people who</p> <p>4 prepare the forecast, it seems circular. They</p> <p>5 prepare the forecast, they make the assumptions</p> <p>6 and the calculations, yes.</p> <p>7 Q. But the assumptions are ones that</p> <p>8 they use their judgment to determine, correct?</p> <p>9 A. I believe that's correct, yes.</p> <p>10 Q. Who are the forecasters on the</p> <p>11 revenue side for the City?</p> <p>12 A. Ernst & Young.</p> <p>13 Q. Yeah, I meant the people.</p> <p>14 A. Bob Kline and his team.</p> <p>15 Q. Who else?</p> <p>16 A. I -- I would -- I would have to -- we</p> <p>17 could look and see who we talked about, but I</p> <p>18 remember Bob.</p> <p>19 Q. Okay.</p> <p>20 A. And there are a couple of women who</p> <p>21 worked with him.</p> <p>22 Q. Do you remember Caroline Sally?</p> <p>23 A. That's sounds familiar.</p> <p>24 Q. Okay.</p> <p>25 A. But, yes.</p>	<p style="text-align: right;">Page 172</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Gaurav from Bob Kline's team --</p> <p>3 A. Bob --</p> <p>4 Q. Is it Bob Kline or Ron Kline?</p> <p>5 A. Bob. Bob. I think so.</p> <p>6 Q. Mr. Kline.</p> <p>7 A. Mr. Kline.</p> <p>8 Q. Let's get a sense of who's on</p> <p>9 Mr. Kline's team and whether Gaurav is on that</p> <p>10 team.</p> <p>11 A. Gaurav is the Ernst & Young partner</p> <p>12 responsible for the Detroit engagement.</p> <p>13 Q. Got it.</p> <p>14 A. Okay? Gaurav has work groups, right,</p> <p>15 from various parts of Ernst & Young working for</p> <p>16 him on this.</p> <p>17 Bob Kline is the Ph.D. economist that</p> <p>18 has a group of people also working for him that</p> <p>19 worked on the revenue projections.</p> <p>20 Q. And the cost projections principally</p> <p>21 came from Conway MacKenzie; is that right?</p> <p>22 A. No. No. It depends on which --</p> <p>23 Q. I see?</p> <p>24 A. The RRI's came from the Conway</p> <p>25 MacKenzie.</p>

43 (Pages 169 to 172)

<p style="text-align: right;">Page 173</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. The historical call cost expense came</p> <p>3 from whom?</p> <p>4 A. The historical costs came from the</p> <p>5 City. The cost projections came primarily from</p> <p>6 Ernst & Young, a group of people that worked for</p> <p>7 Gaurav.</p> <p>8 Q. I see. Okay.</p> <p>9 So if I was thinking broadly about</p> <p>10 the forecasts in the go-forward years, if I was</p> <p>11 thinking about revenue forecasts, I'm thinking</p> <p>12 about Mr. Kline's team?</p> <p>13 A. That's how I think of it, yes.</p> <p>14 Q. If I'm thinking about cost</p> <p>15 projections that don't entail RRIs, I'm thinking</p> <p>16 about Mr. Malhotra's team?</p> <p>17 A. Right. And he has specific people</p> <p>18 that are responsible for specific parts of the</p> <p>19 cost projections that work for him.</p> <p>20 Q. Understood.</p> <p>21 Then if I'm thinking about RRIs and</p> <p>22 their impacts on either costs or revenues, I'm</p> <p>23 thinking about the Conway MacKenzie team?</p> <p>24 A. Generally that's correct.</p> <p>25 Q. And is this, by the way, part of the</p>	<p style="text-align: right;">Page 175</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. You hadn't thought about it one way</p> <p>3 or the other?</p> <p>4 A. No, I did not make a determination</p> <p>5 one way or the other.</p> <p>6 Q. Okay. Did you ever meet them in</p> <p>7 person?</p> <p>8 A. I did not.</p> <p>9 Q. You spoke to them on the phone?</p> <p>10 A. I did.</p> <p>11 Q. And what was the experience of Mr.</p> <p>12 Malhotra's team when it came to forecasting</p> <p>13 municipal expenses?</p> <p>14 A. I don't know.</p> <p>15 Q. And what was the experience of the</p> <p>16 Conway MacKenzie team when it came to projecting</p> <p>17 the costs or revenues associated with a municipal</p> <p>18 restructuring?</p> <p>19 A. I don't know.</p> <p>20 Q. Now, when you were assessing the</p> <p>21 reliability of the assumptions that are in the</p> <p>22 forecasts, did you independently seek to develop</p> <p>23 your own assumptions first and then compare so</p> <p>24 that you could then compare them to the City's</p> <p>25 assumption and see how they compared?</p>
<p style="text-align: right;">Page 174</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 reason that you found the forecasts confusing is</p> <p>3 because they were the product of actually three</p> <p>4 different groups of forecasters?</p> <p>5 A. It's not that there are different</p> <p>6 people involved. It is that they were never</p> <p>7 harmonized and concatenated in a way that they're</p> <p>8 all in one kind of place.</p> <p>9 Q. What is the experience of Mr. Kline</p> <p>10 and his team when it comes to forecasting</p> <p>11 municipal revenues?</p> <p>12 A. I don't know.</p> <p>13 Q. Okay. Did you make any effort to</p> <p>14 assess that?</p> <p>15 A. I did not.</p> <p>16 Q. Was that important to you?</p> <p>17 A. I looked at -- I used all the</p> <p>18 information that was available to me and all the</p> <p>19 people that were available to me and -- got</p> <p>20 satisfied with the projections in the plan as</p> <p>21 being reasonable revenue projections.</p> <p>22 Q. Were you working under the assumption</p> <p>23 that Mr. Kline and his team had substantial</p> <p>24 experience forecasting municipal revenues?</p> <p>25 A. I did not make that assumption, no.</p>	<p style="text-align: right;">Page 176</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. No.</p> <p>3 Q. Okay.</p> <p>4 A. Generally not.</p> <p>5 Q. So what you did, instead, was you</p> <p>6 first understood what the City's assumption was</p> <p>7 and then you tested the reasonableness of that</p> <p>8 assumption, correct?</p> <p>9 A. Generally that's correct, yes.</p> <p>10 Q. Okay. Why didn't you, for example,</p> <p>11 kind of in order to avoid just, you know, the</p> <p>12 impact that even seeing their assumption can have</p> <p>13 on you, why didn't you say, What do I think wages</p> <p>14 will be year over year for the next ten years, and</p> <p>15 do the work independently and then see how it</p> <p>16 mapped?</p> <p>17 A. Generally two reasons, time. When I</p> <p>18 was appointed I had, I think, 62 days originally</p> <p>19 between when I was appointed and when my report</p> <p>20 was due.</p> <p>21 Q. Yeah.</p> <p>22 A. Okay. Secondly, I learned very</p> <p>23 quickly the condition of the historical records of</p> <p>24 the City, and realized that in order to get done</p> <p>25 with my assignment, I was going to have to rely on</p>

44 (Pages 173 to 176)

<p style="text-align: right;">Page 177</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the assimilation of data that the other</p> <p>3 professionals had acquired. And that included the</p> <p>4 creditors' professionals, as well.</p> <p>5 Being the last person at the dance,</p> <p>6 so to speak, I needed to rely on not only on</p> <p>7 Ernst & Young and Conway, but Alvarez and FDI --</p> <p>8 Q. Yeah.</p> <p>9 A. -- and Houlihan, to help get us to</p> <p>10 the best data that was out there.</p> <p>11 Q. So let me see if I can summarize, the</p> <p>12 time that you were allotted which we discussed and</p> <p>13 which I've told you I'm of the view wasn't very</p> <p>14 much, but it was what it was, but the time that</p> <p>15 you were allotted did not allow you to either</p> <p>16 independently verify the data or independently</p> <p>17 generate your own assumptions?</p> <p>18 A. I -- I wouldn't go so far as to say</p> <p>19 we didn't independently verify because we did,</p> <p>20 specifically on the revenue projections and things</p> <p>21 surrounding those, we did seek other third-party</p> <p>22 sources of data. So --</p> <p>23 Q. There were instances where you sought</p> <p>24 some form of corroboration?</p> <p>25 A. Separate and apart from the City.</p>	<p style="text-align: right;">Page 179</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. Right.</p> <p>3 Q. Let's put that to one side, now let's</p> <p>4 go backwards in time.</p> <p>5 Did you review any CAFRs other than</p> <p>6 the 2012 CAFR?</p> <p>7 A. I did not.</p> <p>8 Q. And whether your team did or not, you</p> <p>9 don't know?</p> <p>10 A. I don't know.</p> <p>11 Q. Do you -- is it your opinion that</p> <p>12 none of the prior year CAFRs prior to 2012 have</p> <p>13 any relevance to the City's financial projections?</p> <p>14 A. Like I said, I didn't look at it.</p> <p>15 Don't know if my team did or not.</p> <p>16 Q. So, do you think they are relevant or</p> <p>17 not?</p> <p>18 A. I don't know.</p> <p>19 Q. You don't know. They might be, they</p> <p>20 may not be?</p> <p>21 A. They weren't part -- they weren't</p> <p>22 part of the basis for my opinion.</p> <p>23 Q. Okay. But I'm asking about the</p> <p>24 relevance of them?</p> <p>25 A. I don't know.</p>
<p style="text-align: right;">Page 178</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. But in general, you'd agree with my</p> <p>3 statement that you didn't have sufficient time to</p> <p>4 independently verify all of the data on which the</p> <p>5 forecasts are built in order to develop your own</p> <p>6 assumptions?</p> <p>7 MR. KANE: Objection. Go ahead and</p> <p>8 answer.</p> <p>9 A. Yes.</p> <p>10 Q. You agree with me?</p> <p>11 A. Yes.</p> <p>12 Q. Your reliance materials only list the</p> <p>13 City's CAFR for 2012 specifically by name?</p> <p>14 A. Uh-huh.</p> <p>15 Q. Is that the only CAFR that you</p> <p>16 reviewed?</p> <p>17 A. We did not get the CAFR, the '13 CAFR</p> <p>18 until after my report was filed.</p> <p>19 Q. Understood.</p> <p>20 So we've had a conversation about the</p> <p>21 '13 CAFR and how some of the information in it may</p> <p>22 have been known to you --</p> <p>23 A. Right.</p> <p>24 Q. -- and other parts of the information</p> <p>25 may not have been?</p>	<p style="text-align: right;">Page 180</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. You don't know what the relevance is?</p> <p>3 A. Yes.</p> <p>4 Q. Would you agree -- let's go back to</p> <p>5 our word methodology which you've used to describe</p> <p>6 as approach.</p> <p>7 Methodologies is an important word in</p> <p>8 the legal setting, that's why lawyers are always</p> <p>9 asking about methodology.</p> <p>10 But would you agree that the City did</p> <p>11 not employ a uniform approach in constructing the</p> <p>12 forecasts?</p> <p>13 A. Yes.</p> <p>14 Q. Would you also agree that the City</p> <p>15 didn't apply a uniform methodology in constructing</p> <p>16 the forecasts?</p> <p>17 A. I don't like the word methodology.</p> <p>18 Q. Okay. You're more comfortable with</p> <p>19 approach?</p> <p>20 A. I'm more comfortable with approach.</p> <p>21 Q. But can you describe what the</p> <p>22 approach was?</p> <p>23 A. It depends on -- it depends on which</p> <p>24 model we're talking about. The original baseline</p> <p>25 E & Y model, the Conway models, or the E & Y</p>

45 (Pages 177 to 180)

<p style="text-align: right;">Page 181</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 10-year, 40-year model. It depends on what the</p> <p>3 line item that is being projected is, okay?</p> <p>4 And there are different approaches</p> <p>5 used for estimating both revenues and expenses</p> <p>6 depending on which one you're talking about and</p> <p>7 who did it.</p> <p>8 Q. And then are there different</p> <p>9 approaches even within categories like did they</p> <p>10 employ a different approach to estimating</p> <p>11 different types of revenue?</p> <p>12 A. Yes. Well, revenue -- revenue in</p> <p>13 terms of the E & Y models, no. Okay. There are</p> <p>14 differences in approaches, for example, to</p> <p>15 salaries and wages, depending on whether it's a</p> <p>16 Conway model or whether it's an E & Y model.</p> <p>17 Q. Did you say in your expert report</p> <p>18 that you found the City's model to be convoluted?</p> <p>19 A. And confusing.</p> <p>20 Q. Yeah. Did you also say convoluted?</p> <p>21 A. Yes.</p> <p>22 Q. Okay. I will put my hand up and</p> <p>23 agree with you on that.</p> <p>24 MR. KANE: Objection.</p> <p>25 MR. HACKNEY: For now?</p>	<p style="text-align: right;">Page 183</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 that?</p> <p>3 A. Yes.</p> <p>4 Q. Income tax revenue is a different</p> <p>5 type of revenue from wagering revenue, right?</p> <p>6 A. Yes.</p> <p>7 Q. Do you understand the idea that there</p> <p>8 are -- there are -- that revenue is often divided</p> <p>9 into two board categories of whether it's</p> <p>10 deterministic on the one hand or volatile on the</p> <p>11 other?</p> <p>12 A. I would agree there are different</p> <p>13 types of revenue that have the different bases for</p> <p>14 -- around which you would estimate. But I would</p> <p>15 want you to define those words before I would</p> <p>16 agree or disagree with them.</p> <p>17 Q. Deterministic I use in the sense that</p> <p>18 it means predictable and volatile means</p> <p>19 unpredictable.</p> <p>20 A. Yes.</p> <p>21 Q. Have you ever -- do you understand</p> <p>22 the idea that you can classify revenue streams as</p> <p>23 being either predictable or unpredictable?</p> <p>24 A. I would think that is the analyst's</p> <p>25 choice of how they want to describe them,</p>
<p style="text-align: right;">Page 182</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 MR. KANE: What?</p> <p>3 BY MR. HACKNEY:</p> <p>4 Q. So we've talked a lot about -- we've</p> <p>5 talked about industry standards and -- but have</p> <p>6 you ever seen another city employ the approach for</p> <p>7 its forecasts that was employed here?</p> <p>8 A. No, because as we've established,</p> <p>9 I've never seen another city like this doing</p> <p>10 forecasts for a plan of adjustment.</p> <p>11 Q. True, but you have seen other cities</p> <p>12 doing forecasts, right?</p> <p>13 A. Budgetary forecasts, yes.</p> <p>14 Q. Yeah. Have you ever seen any of</p> <p>15 those cities employ a methodology or an approach,</p> <p>16 sorry, like this one?</p> <p>17 A. No.</p> <p>18 Q. When it comes to forecasting revenue,</p> <p>19 do you believe that the forecasting technique that</p> <p>20 you employed depends on the nature of the revenue</p> <p>21 source that's being forecasted?</p> <p>22 A. Can you explain that?</p> <p>23 Q. Sure. So do you understand that</p> <p>24 there are -- certainly understand that there are</p> <p>25 different types of revenue, right? You understand</p>	<p style="text-align: right;">Page 184</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 generally.</p> <p>3 Q. Yes. Right. And did you undertake a</p> <p>4 revenue portfolio analysis in this case?</p> <p>5 A. A revenue portfolio analysis? Don't</p> <p>6 know what a revenue portfolio analysis is.</p> <p>7 We looked at all the revenues that</p> <p>8 were presented in the plan of adjustment</p> <p>9 projections.</p> <p>10 Q. So I guess can I say that to the</p> <p>11 extent you undertook a revenue portfolio analysis,</p> <p>12 you didn't do so consciously?</p> <p>13 A. I wouldn't -- I don't think -- that</p> <p>14 sounds like a term of art, it doesn't sound like</p> <p>15 something that you would think about.</p> <p>16 Q. That's -- that sounds like a term of</p> <p>17 art from the world of revenue forecasting?</p> <p>18 A. It's somebody's -- it's somebody's</p> <p>19 term of art, but it's not my term of art.</p> <p>20 Q. Okay. Did you make an independent</p> <p>21 assessment for yourself as to whether or not the</p> <p>22 City's revenue streams could be classified as</p> <p>23 either predictable or unpredictable?</p> <p>24 A. I looked at each revenue stream and</p> <p>25 assessed whether I thought the City's forecast or</p>

46 (Pages 181 to 184)

- MARTI KOPACZ - VOLUME 1-

Q. And so as a result of the passage of time, as we sit here today, there are now actually historical results that we have that are historical as of today, that can be compared to what was once a forecast, correct?

A. That's possible, yes.

Q. I take it you have not done that?

A. I have not done that.

Q. So you haven't attempted to validate what the prior forecasts against subsequent historical information that's come in?

A. No, I have not.

Q. Okay. You have not -- I want to talk briefly about taxes, okay?

You did not include -- you did not conduct analysis of whether the City can increase taxes, correct?

A. That's correct.

Q. Both from the standpoint -- you didn't analyze whether it legally can increase taxes, correct?

A. Correct.

Q. You also didn't analyze whether economically if it did increase taxes, what would

- MARTI KOPACZ - VOLUME 1-

decreased.

Q. Do you know how much it decreased?

A. I don't.

Q. I take it you don't know what the City's assessed property values are as you sit here today?

A. I do not.

Q. And you haven't engaged in an independent effort to determine what the assessed value should be, correct?

A. That's correct.

Q. Now, is it reasonable to assume that the assessed value per parcel in the City of Detroit will fall by an additional 50 percent between -- over the next seven years?

A. I am not --

MR. STEWART: Objection.

A. I have no way to know that.

Q. You have no way to test that assumption?

Let's start -- you did not test that assumption, correct?

A. That's correct.

Q. Okay. There is a way to test the

- MARTI KOPACZ - VOLUME 1-

happen to the City, correct?

A. Correct.

Q. And you're offering opinions on tax policy in this case, correct?

A. I am not.

Q. Now, is it correct -- I want to talk about property value, okay?

Is it correct that the average assessed value per parcel in the City of Detroit decreased by 37 percent between 2008 and 2013?

A. I'm not familiar with that data point.

Q. Do you know -- do you agree that there was a substantial decrease in the assessed value per parcel in the City of Detroit between 2008 and 2013?

A. I don't know what "substantial" means but I can say, yes, I am aware that property value -- assessed property values decreased.

Q. What would you define "substantial" as?

A. I don't know.

Q. I mean, you can do whatever you want.

A. Property -- assessed property value

- MARTI KOPACZ - VOLUME 1-

assumption, though, correct?

A. I don't know.

Q. Okay. Do you understand that the City's forecasts include assumptions about future assessed value per parcel?

A. I don't know -- I know that the City's projections include estimates for property taxes going forward, right.

Q. Yes.

A. I don't know what their per parcel estimates have been.

Q. Okay. I take it you made no effort to validate any assumptions regarding assessed value per property?

A. That's correct.

Q. Or in the aggregate, correct?

A. Or in the aggregate?

Q. Meaning to the extent the City aggregated assessed values across the City and made assumptions about that, you did not test those assumptions, correct?

A. Correct.

Q. Now, do you know what Mr. -- do you know that the City reassessed its properties in

<p style="text-align: right;">Page 197</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 Decem -- December of 2013? 3 A. I believe it's in the process of 4 assessing a lot of properties, right. 5 Q. So I want to distinguish between 6 these two concepts, so I'm going to ask you about 7 them separately, though, because you're right, 8 there is a citywide appraisal, and you're right, 9 it is ongoing. Put that here for a second, 10 mentally, okay? 11 A. Okay. 12 Q. Now, are you aware there was a 13 reassessment in December of 2013? 14 A. Vaguely, yes. 15 Q. So "vaguely" means? 16 A. I was aware of it -- 17 Q. You are -- 18 A. Anecdotal I am aware of it, yes. 19 Q. Okay. You did not -- do you know the 20 impact of that assessment on taxable value in the 21 City of Detroit? 22 A. I don't. 23 Q. Do you know the approximate impact of 24 it? 25 A. I don't.</p>	<p style="text-align: right;">Page 199</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 Q. Is it fair to assume that he is the 3 most knowledgeable person in the City of Detroit? 4 A. I don't know. 5 Q. That's not a question you've 6 considered? 7 A. It is not. 8 Q. Do you believe that Mr. Evanko's 9 opinions regarding the effect of the citywide 10 reappraisal will have on property values are 11 relevant to determining future property values? 12 A. Could you repeat that question? 13 Q. Yeah. So do you believe Mr. Evanko, 14 who is the City's only Level 4 assessor, right? 15 A. Uh-huh. 16 Q. Yes? 17 A. Yes. 18 Q. Sorry. That's okay. I do that all 19 the time. 20 Do you agree that Mr. Evanko's coast 21 views about the impact of citywide reappraisal 22 that we were just talking about, that the impact 23 that that will have on taxable value in the City 24 of Detroit is an important data point to consider? 25 A. Yes.</p>
<p style="text-align: right;">Page 198</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 Q. Do you know what impact it had on the 3 forecasts? 4 A. I know that property tax forecast -- 5 property tax revenue forecasts declined between 6 the May 5th and the July 2nd projections. 7 Q. Do you know why it declined? 8 A. It declined as a result of -- 9 Ernst & Young's view that the assessed value was 10 going down. 11 Q. Was going to go down or had gone 12 down? 13 A. I don't -- I don't have a precise 14 time recollection on that. 15 Q. Do you know whether the citywide 16 reappraisal has begun? 17 A. I don't know. 18 Q. Do you know when it will -- it is 19 estimated to conclude? 20 A. I don't. 21 Q. Do you know anyone in the City of 22 Detroit who is more knowledgeable about the 23 assessed values of property in the City of Detroit 24 than Mr. Evanko, the chief assessor? 25 A. I don't know.</p>	<p style="text-align: right;">Page 200</p> <p>1 - MARTI KOPACZ - VOLUME 1- 2 Q. If Mr. Evanko told you that he has no 3 idea whether that citywide reappraisal will cause 4 taxable values to be lower or higher, would you 5 consider that an important data point? 6 A. I -- I'm -- I would consider what he 7 said to be relevant. Okay? So I don't know what 8 he said so I can't really say whether I think I 9 agree or don't agree. I would think that the 10 City's assessor would be an important person to 11 consider as somebody who is looking at this. 12 Q. Understood. So do you understand 13 that the Ernst & Young forecasts project the 14 taxable value will decrease by 9 percent as a 15 result of the citywide reappraisal? 16 A. I understand that as part of their 17 assumption, yes. 18 Q. What is the basis for their 19 assumption? 20 MR. DiPOMPEO: Objection. 21 A. Their assessment in consultation with 22 the City. 23 Q. Okay. But like what -- they talk to 24 people that told them that? 25 A. That is my assumption, yes.</p>

50 (Pages 197 to 200)

<p style="text-align: right;">Page 201</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. That's your assumption about their</p> <p>3 assumption?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. Have you independently</p> <p>6 verified the reasonableness of that particular</p> <p>7 assumption?</p> <p>8 A. I have not.</p> <p>9 Q. Do you believe -- this get -- so do</p> <p>10 you believe it's reasonable to assume that taxable</p> <p>11 value in the City of Detroit will decrease over</p> <p>12 the next -- by 9 percent, as a result of the</p> <p>13 citywide reappraisal where the City's senior</p> <p>14 assessor says that he doesn't know whether taxable</p> <p>15 value will go up or down.</p> <p>16 MR. STEWART: Objection.</p> <p>17 A. I don't know.</p> <p>18 Q. You don't know if that's reasonable</p> <p>19 or not?</p> <p>20 A. Yes, I do not know if that's</p> <p>21 reasonable or not.</p> <p>22 Q. It's not something you've considered</p> <p>23 before today?</p> <p>24 A. That's correct.</p> <p>25 Q. One of the interesting things about</p>	<p style="text-align: right;">Page 203</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 three to four percent drop in fiscal year 2016,</p> <p>3 right?</p> <p>4 A. That is --</p> <p>5 Q. What it should say?</p> <p>6 A. -- the -- yes, it should say '16.</p> <p>7 Q. That's what you meant it to say?</p> <p>8 A. That is what I meant it to say.</p> <p>9 Q. Now, if the available evidence shows</p> <p>10 that -- and Ms. Kopacz, this is kind of a -- this</p> <p>11 almost goes to your own methodology, so consider</p> <p>12 this for a second.</p> <p>13 If the available evidence shows that</p> <p>14 there's unlikely to be any drop in taxable value</p> <p>15 in either 2015 or 2016, would you still consider</p> <p>16 this a reasonable assumption because it's</p> <p>17 conservative?</p> <p>18 You see the point of my question?</p> <p>19 Which is I'm trying to tease out a little bit what</p> <p>20 you were thinking about when you were testing</p> <p>21 assumptions.</p> <p>22 Consider a situation where the</p> <p>23 available evidence actually suggests that there</p> <p>24 will not be any drop in real property assessments,</p> <p>25 okay? But the City employs a methodology that</p>
<p style="text-align: right;">Page 202</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 when you are feasibility expert is we were talking</p> <p>3 earlier about the notion of there being a hurdle</p> <p>4 and your job being to assess whether the City will</p> <p>5 get over that hurdle, right?</p> <p>6 A. Correct.</p> <p>7 Q. Do you remember that testimony?</p> <p>8 A. Uh-huh.</p> <p>9 Q. Isn't it true that if the City adopts</p> <p>10 an assumption about taxable value which is that in</p> <p>11 the future it's going to go down by 9 percent, as</p> <p>12 it did, right? Correct?</p> <p>13 A. We can look at it.</p> <p>14 Q. If you want to double-check it,</p> <p>15 that's totally fine.</p> <p>16 Do you want to?</p> <p>17 Take a look at Page 59.</p> <p>18 A. About Page 59, there is a typo on</p> <p>19 Page 59 about two-thirds of the way down, there</p> <p>20 are two numbers, FY 215, 2015, followed by another</p> <p>21 FY 2015. The second FY 2015 should be 2016.</p> <p>22 Q. Okay. So what this is saying is that</p> <p>23 because of the citywide reappraisal, there's going</p> <p>24 to be a 9 percent drop in real property</p> <p>25 assessments in fiscal year 2015 and then another</p>	<p style="text-align: right;">Page 204</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 says that there will be a nine percent drop in</p> <p>3 2015 and a three to four percent drop in 2016,</p> <p>4 okay?</p> <p>5 Isn't it true that based on your task</p> <p>6 as the feasibility expert, you could still find</p> <p>7 that assumption to be reasonable. Correct?</p> <p>8 MR. KANE: Hold on a second. So</p> <p>9 there's a lot in there so, one, I will object</p> <p>10 on vagueness. But I'm not trying to</p> <p>11 interfere, I just want to clarify.</p> <p>12 Are you asking her to assume that the</p> <p>13 available evidence shows that?</p> <p>14 MR. HACKNEY: Yes.</p> <p>15 MR. KANE: Okay. So he's asking you</p> <p>16 to assume --</p> <p>17 MR. HACKNEY: It's a hypothetical?</p> <p>18 MR. KANE: That's all I want --</p> <p>19 A. It's an assuming there's evidence to</p> <p>20 say that property values won't decline.</p> <p>21 Q. That's right.</p> <p>22 A. And that this forecast says they will</p> <p>23 decline, right?</p> <p>24 Q. Right.</p> <p>25 A. That is a positive contributor to my</p>

51 (Pages 201 to 204)

<p style="text-align: right;">Page 289</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 Q. So it's interesting. So in every</p> <p>3 other instance, though, where -- where the EY</p> <p>4 forecasters were forecasting revenue, they</p> <p>5 considered the impact of the RRI's, right, to the</p> <p>6 best of your knowledge?</p> <p>7 A. Clearly with income tax and property</p> <p>8 tax.</p> <p>9 Q. Oh, right. Good point. Good point.</p> <p>10 A. They do it both ways.</p> <p>11 Q. Yes. Fair -- fair correction.</p> <p>12 But is it your understanding that</p> <p>13 when -- when they were forecasting --</p> <p>14 A. Not wagering taxes.</p> <p>15 Q. Right.</p> <p>16 A. Not wagering taxes and not sales and</p> <p>17 services tax. Income, not taxes income.</p> <p>18 Q. Yes. But is it your understanding</p> <p>19 that the EY forecasters did not consider the</p> <p>20 impact of restructuring reinvestment initiatives</p> <p>21 on sales and charges for services?</p> <p>22 A. The Bob Kline group didn't do</p> <p>23 sales -- didn't do the categories we're talking</p> <p>24 about right now; sales and charges for services.</p> <p>25 Q. Okay.</p>	<p style="text-align: right;">Page 291</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 page, didn't we?</p> <p>3 On the collection rates, do you</p> <p>4 notice that the City has assumptions regarding</p> <p>5 different collection rates that bleed from Page 59</p> <p>6 to 60?</p> <p>7 A. I do.</p> <p>8 Q. And it's also fair to say that you</p> <p>9 didn't make independent findings regarding whether</p> <p>10 their property tax collection assumptions were</p> <p>11 reasonable, correct?</p> <p>12 A. That's correct.</p> <p>13 Q. Then, similarly, on the utility users</p> <p>14 tax on Page 62, do you see that?</p> <p>15 A. I do.</p> <p>16 Q. The forecast -- the forecasted amount</p> <p>17 is forecast to be approximately two percent of</p> <p>18 general fund revenue, correct?</p> <p>19 A. Yes.</p> <p>20 Q. Fair to say you did not test the</p> <p>21 assumptions around the specific utility user tax</p> <p>22 revenue assumptions by the City forecasters,</p> <p>23 correct?</p> <p>24 A. Correct.</p> <p>25 Q. So, let me ask you a question about</p>
<p style="text-align: right;">Page 290</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 A. That was done by somebody in on</p> <p>3 Gaurav 's direct team.</p> <p>4 Q. Okay. So, take a look at Page 59.</p> <p>5 We're going to move on to property values here,</p> <p>6 okay?</p> <p>7 A. Yes. We did this.</p> <p>8 Q. So, yeah, we definitely touched on</p> <p>9 these. But I guess I want to confirm that you</p> <p>10 didn't make any independent findings regarding</p> <p>11 whether a one percent, 1.7 percent decline in real</p> <p>12 property values during the period was a reasonable</p> <p>13 assumption, correct?</p> <p>14 A. Correct.</p> <p>15 Q. And you didn't make any findings with</p> <p>16 respect to whether the personal property increased</p> <p>17 by .9 percent was a reasonable assumption during</p> <p>18 that period, correct?</p> <p>19 A. That's correct.</p> <p>20 Q. And it's also correct that you didn't</p> <p>21 test the assumption of a 4.8 percent renaissance</p> <p>22 zone increase during that period, correct?</p> <p>23 A. That's correct.</p> <p>24 Q. We did talk about the nine percent,</p> <p>25 I'm sorry, we actually skipped forward to this</p>	<p style="text-align: right;">Page 292</p> <p>1 - MARTI KOPACZ - VOLUME 1-</p> <p>2 the feasibility of the POA, if there's no exit</p> <p>3 financing.</p> <p>4 In your opinion, you assumed that</p> <p>5 there would be. Do you remember that?</p> <p>6 A. I did.</p> <p>7 Q. Let's engage the hypothetical where</p> <p>8 Mr. Buckfire fails to obtain exit financing. How</p> <p>9 does that impact your finding of feasibility?</p> <p>10 A. If there is no replacement source of</p> <p>11 funding?</p> <p>12 Q. Yes.</p> <p>13 A. Then I would conclude that the plan</p> <p>14 is not feasible.</p> <p>15 Q. Why is that?</p> <p>16 A. Because the -- going back to my</p> <p>17 definition of feasibility, it is both a</p> <p>18 quantitative and a qualitative assessment. I</p> <p>19 think the reinvestment initiatives, the RRI's, are</p> <p>20 important to the City's ability to deliver</p> <p>21 municipal services, to pay the commitments in the</p> <p>22 plan and the City does not have the surplus, the</p> <p>23 structural surplus in the next couple of years to</p> <p>24 execute on the RRI's without the exit financing.</p> <p>25 Q. What is the basis for your assumption</p>

73 (Pages 289 to 292)